

PEOPLE'S BANKS FOR ENGLAND

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IN a paper which appeared in this *Review* just a twelvemonth ago I was permitted to present an account of the truly wonderful results which co-operation applied to popular credit has been made to yield in Germany. To that partial sketch I have since been able to add a picture drawn on a larger canvas¹ and exhibiting the harvest gathered on a wider scene—mounting up, in the aggregate, to an annual crop of something like £200,000,000, distributed in cheap loans over an entire continent, carrying relief and help to the very points at which relief and help are most needed, repaying itself with clock-work regularity out of its own proceeds, and, while enriching economically a vast breadth of territory, raising up at the same time by its remarkable educating power a growing army of workers, more honest, more intelligent, more business-like than they were before. That narrative may be said to have completed one-half of my task. The other half remains—the consideration of the question, whether the beneficent cornucopia so generously enriching other nations may not be made tributary also to our own.

To many in this country, I find, the suggestion appears a trifle bold. The results achieved abroad are so very large. It would require a stupendous effort, an effort beyond the limit of our powers, to raise up a huge and complex fabric like that which we see abroad. What people giving expression to doubts like these appear to forget is, that that imposing structure has grown up from very small beginnings, little by little, during more than forty years, and that it is the product of long, persistent toil and labour, contributed by the pick of workers in their several nations. Under a careful analysis it may be that this wonderful machinery will assume a more intelligible and

¹ *People's Banks: a Record of Social and Economic Success.* [Longmans, 1893.]

less appalling aspect, and appear more readily within our reach. There is, after all, no peculiar witchcraft about co-operative credit. Its results may be shown to be all the results of cheap borrowing and dearer lending, of thrift, economy, and careful administration. All the magic of the system really consists in its judicious choice of peculiarly effective methods for stimulating those economic virtues, and for conducting credit into the most productive channels, by enlisting the interests of borrower and lender on the same side.

Assuming that we have similar needs, the same simple process may presumably be made to produce very similar effects in our own case. There is really no occasion to make very much of the differences in local circumstances which undoubtedly exist. It is said that we have not the small trade of our neighbours. That may be *because* we have no People's Banks, and so drive the poor workers perforce into the clutches of the grasping large employer or the extortionate "sweater." In truth, the large lending done by Loan Societies, Trading Banks, Funding Clubs, and similar institutions—not to mention less co-operative dealers in money—*specifically* to small tradesmen, shows, not only that we have the small tradesman pretty adequately represented amongst ourselves, but also that we have him represented in a tolerably necessitous condition. Again, it is objected that we have not the large number of small owning cultivators who carry such substantial custom to the German and Italian People's Banks—custom, it seems to be thought, depending upon their possession of a freehold. But the freehold has in reality nothing whatever to do with their borrowing. No stipulation is made that members should own a freehold. The freehold is *not* pledged—the best Loan Banks would not have the pledge if it were offered. For aught that the Bank knows, the freehold may be mortgaged up to the hilt, and beyond that. The Italian *casse rurali* lend to the smallest class of tenants. The French and Belgian *syndicats agricoles* lend mainly to tenants, large and small. In truth, a man's calling has nothing to do with the matter. Work is in different countries organized in different ways; the man, with his unvarying wants, remains the same.

And no country has yet been discovered in which the poor do not stand in need of money which, in some way or another, work will provide the means of repaying. It may be taken that wherever there is need, wherever there is borrowing, wherever there is usury, wherever there is production crippled by a want of funds, wherever credit is a capitalist monopoly—as it doubtless is among us—there there is room and scope for co-operative credit, and there, accordingly, there is room and scope for People's Banks. We have, unfortunately, got plenty of need, and plenty of usury, and many resources remaining unutilized for want of working capital. And if that be not sufficient proof that People's Banks may be expected to do good among us, there is, as it happens, the cognate work of our Slate Clubs, Self-Help Societies, Loan Societies, etc., to point to, which tells us with as plain a voice as Nature has given to human instinct and Logic to facts, that our case does not differ materially from that of our neighbours, and that what has benefited them may be expected to benefit us.

No doubt we have some initial hindrances to contend with. They do not consist in the difficulty of finding funds. Funds, we may take it, would in most cases be forthcoming. They do not consist in a want of aptness on the part of our population for business and co-operation. Our population are apt enough at both. Ours are mainly the difficulties attending any kind of operation on new ground. In the first place, the whole apparatus employed is entirely new to us. Time and study will mend that. In the second place, the methods applied by preference abroad run provokingly counter to our accustomed habits. One peculiarly successful system is based specifically upon a large use of acceptances, which our small people hold in abhorrence. Two other systems are based upon unlimited liability, a principle dreaded amongst us by all classes alike. It may be that experience and familiarity will reconcile us to one or other of these principles, or to both. Or it may be that we shall discover new expedients more congenial to our tastes and yet no less effective. The most serious difficulty of all facing us is that which arises from the fact that, under a

capitalist monopoly and a liberal and philanthropic disposition prevailing among our rich, our credit market has, so to speak, become debauched and demoralized. Careless lending and improvident borrowing have to a large extent effaced among our small folk the sense of commercial honesty, the realization of an obligation to be punctual in repayment. "How is it," asked the founder of a very useful Self-Help Association in the neighbourhood of London of a member, "that you pay the Self-Help Society so punctually, and yet never seem to think of repaying me?" "Ah, you're the Vicar; you don't want it." That sums up the case in one sentence. The poor borrower, borrowing, not for business, but to get himself out of some embarrassment, feels under no obligation to repay his richer neighbour. The one question which I have invariably had addressed to me by philanthropists wishing to establish People's Banks in their districts, is this:—"How are we to make sure that we lend only to people who will repay?" That question drives straight home to the very core of co-operative credit. There is only co-operation to answer it. There is absolutely no other power which can so strongly sharpen the sense of individual responsibility as the discipline of common action and common liability. The close relation between economy and morality has been more than once pointed out. In practice the value of co-operative credit has been found to consist far more in the effective training in honesty and business-like punctuality which it gives to those who employ it, than in the store of money which it provides. The one effect, indeed, is absolutely dependent upon the other. It is only so that co-operative banks have been able to raise the requisite funds and to flourish as they have done in Germany, Italy, and Belgium—avowing all the time that what they have looked to for security have been *moral* guarantees rather than material. Very much the same thing has been observed, on a smaller scale, among ourselves, so far as co-operation has been called into aid. Of £8462 lent out in six years and a half by the Self-Help Society of St. Pancras, to the poorest people, on personal security only, no more than seven shillings has been lost. In the Ealing Self-Help Society, of

£5028 lent out in six years, not a penny has been lost, and only something under £11 has been claimed from the sureties, of which sum the Vicar—considered fair game for pillage—was too generously answerable for about £6.

To be able to judge in what manner People's Banks may be made applicable to this country, it will be necessary first to come to a perfectly clear understanding as to what People's Banks are, and what they are intended to do. There are some hazy notions abroad on this point. It should be borne in mind, then, that they are not merely Savings Banks, nor yet merely Provident Societies. They have been found to stimulate saving and providence most effectively, and it is difficult to imagine them as existing without that savings department which Signor Luzzatti, Herr Raiffeisen, and all leading people's bankers insist, should be attached to every People's Bank. But among the objects which they aim at, saving stands only second. Their paramount object is to *lend*—to lend to those whose trustworthiness and opportunities entitle them to credit, and who could not obtain credit by other means on reasonable terms. For productive purposes they are intended to be for the poor what his capital is for the rich—a source of credit. It is not altogether possible, nor would it be right, to exclude cases of occasional need, in which an embarrassment may be tidied over by the help of a cheap loan. But the loans above all others for People's Banks are loans which provide *working capital for productive purposes*.

While serving this purpose, it may be well to point out, they at the same time render, incidentally, one or two most useful services of another kind, which are, from an economic point of view, perhaps scarcely less valuable. Thus, as Signor Luzzatti insists, they alone in Italy have proved effective in keeping local savings in the district in which they were raised—to fructify there, instead of being absorbed into the great monetary "wens" of the large towns. Again, M. Rayneri lays special stress upon the admirable education in banking which People's Banks impress upon their members—the lesson, more in particular, of never keeping their money idle, earning its owner

no interest, and doing the community no service. The experience of M. Rayneri's own admirably managed bank also makes peculiarly clear a third very important service to be looked for from People's Banks, namely, the insurance of perfect safety in banking. Good People's Banks know no crises, no crashes, no panics. Their constitution makes them absolutely safe. There is nobody with an interest in wrecking them. Their customers are their own shareholders. There is no speculation, because no risky operations are allowed. They are simply keepers of their members' money, under their members' own supervision. In Germany, and in Italy alike, they have lived safely through crises which have shattered tolerably strong banks differently constituted. The People's Bank of Mentone was actually *born* of a crisis—and from every new crisis which has passed over its town it has gathered additional strength. Its history may be worth briefly quoting.

Nobody in Mentone so much as thought of a People's Bank until, in 1883, the failure of a local private bank with 2,000,000 francs of liabilities threw the little town into consternation. The consequences may be imagined. All confidence was gone. Everybody was in alarm for what remained. It was then that M. Palmaro proposed the formation of a Bank to be managed by its own customers. £800, he said, would suffice to start it. £6000 was subscribed. £4000 was taken up in 100-franc shares, to be paid up by instalments, at the shareholders' option, one franc at a time. By this means a sum of £1600 was easily raised. On the 9th April, 1883, the Bank began business, in the humblest of ways, employing two paid officers only, who received purely nominal salaries. Everything had to be done on the most penurious scale. The expenses did not exceed £25 per month. To reassure the public, the balance-sheet for the day was posted outside the door every evening. By such means confidence was soon restored. The townspeople were made to understand that they had a safe institution to deposit their money with, and the large banks likewise learnt to trust their new competitor. Within six months business had increased so largely as to necessitate the doubling of the capital. Within

a year the capital, like the business, had trebled. A second banking crash, with 1,400,000 francs of liabilities, occurring in 1884, served only to strengthen the new institution; and so did the bad times locally resulting from two outbreaks of cholera and the great earthquake in 1887. The capital of the Bank now stands at 326,100 francs, and its annual business is somewhere about 38,000,000 francs. It makes it its boast that it has lent in the main only on moral guarantees, and yet it has experienced so few losses, that out of its surplus profits it has been enabled to grant tolerably large sums in "loans of honour" to the very poor, and to benefit its town by setting up a Co-operative Library and Reading-room, besides starting a branch bank at Monaco.¹ Winter visitors to the Riviera interested in the question should make a point of seeing this Bank at work, and they will become aware, what under good administration a small capital may be made to accomplish in co-operative banking.

But, to return to our analysis of the system—People's Banks of all systems, we have seen, start on common ground in making it their chief object to provide cheap credit for legitimate claimants. And they keep as completely in touch with one another in resorting for the purpose to the purest form of co-operation. There can be no more genuine co-operation than that of clubbing liability, or the requisite funds, together for the purpose of purchasing collectively the credit which each member is to be at liberty to claim and employ for his own purposes. But at this point the various systems part company. There are two ways open to them, as M. Paul Leroy Beaulieu has pointed out. They may command credit, he says, by means, either, of "unlimited liability," or else, of "a small capital of guarantee." Or, thirdly, they may, it may be added, like the Schulze-Delitzsch Banks, combine the two principles and supplement the one by the other.

Of the two resources named, "unlimited liability" sufficiently

¹ Since these lines were written a new off-shoot has been added in the shape of a (Raiffeisen) rural loan-bank at Castellar, founded, and supported with credit, by the *Banque populaire*.

explains itself. It represents, so to speak, sheer force of metal. If a large number of men combine, each pledging his own possessions up to the last farthing, one for all and all for one, the common liability so produced cannot fail to command a large credit. The case of "a small capital of guarantee"—which means a fund out of which to cover any losses occurring—is not quite so plain. A small capital can, in ordinary circumstances, purchase only as small a credit. The proposition is scarcely made more intelligible by Signor Luzzatti's indication of "publicity" as the main support of co-operative credit. A bad balance-sheet, however public, is not likely to attract many loans. We must, accordingly, look somewhat further. What the limited-liability banks really bring to the market as a source of credit is, not their small capital only, nor yet their published balance-sheet, but the evidence which they supply that under skilled management they keep properly solvent. It is the business-like management, coupled with adequate though moderate funds, and proclaimed by published balance-sheets, which commands the confidence, and so the credit. Raiffeisen banking requires no previous training. The administration of the Raiffeisen Banks is admirable; but it is such as any peasant may be taught and made to understand. A Luzzatti Bank without skilled management is simply inconceivable. The skill required is not necessarily that of a Lidderdale or a Rothschild, because no speculative or risky action is permitted. But there must be sufficient familiarity with banking to enable the Bank to operate judiciously in the discount market, to assess the credit of those with whom it has to deal, and to feel the pulse continually of its large constituency. Whereas Raiffeisen Banks simply borrow and lend on security, which speaks for itself, Luzzatti Banks are in the fullest sense of the word *credit* institutions, dealing with bills and current accounts, operating, in point of fact, in spite of their larger share-capital, with far less tangible property in proportion to their transactions than the others. The two pillars, then, upon which the main systems of co-operative banking severally rest, may be said to be unlimited liability, and the business-like management which

co-operative banking has shown such a remarkable aptness for bringing out, under competent guidance, even among quite unskilled folk.

And these foundations naturally assign to each variety its own proper province. The "unlimited liability" Banks—as a type of which I will take the Raiffeisen Loan-Banks—obviously pre-suppose districts in which that "unlimited liability" will be found a safe instrument to rely upon and an easy one to work—districts in which people are well known to one another and perpetually under one another's eye, and in which the financial position of each is thoroughly understood. They are practicable only where there is a population not too dense, but fixed and stable, such as we find in rural districts. In such they work positive wonders. On such ground they represent, to my mind, the purest and best application of co-operation—at any rate of philanthropic co-operation—and, whether they fall short or not in economic results, when measured by the side of others, they secure educational effects altogether peculiar to themselves.

In very populous districts they could scarcely prosper. Members would lose sight of one another. The touch of "an enlarged family" would be lost. Unlimited liability might become a positive danger. And where there are large numbers to cater for, the simple method of borrowing and lending—moving, so to speak, large capitals backwards and forwards—must necessarily become cumbrous and unwieldy. Signor Contini has with very creditable ingenuity applied the Raiffeisen system to the working population in his own populous city of Milan, by artificially creating the conditions which nature provides in the country. His is a most interesting experiment: by grouping together poor people, well known to one another, belonging to a certain number of dissimilar trades, he has succeeded in producing a proper urban Raiffeisen constituency. Herr Raiffeisen himself, it appears, never contemplated the application of his system to towns. However fair Signor Contini's experiment bids to prove successful, it is at the present time obviously still altogether too new to warrant any

definite conclusions. So in the main we shall have to regard the Raiffeisen system as applicable only to rural and quasi-rural districts.

The Luzzatti system, on the other hand, being content with a comparatively small sum paid down, which sum measures exactly the full liability of each member (whose mere admission entitles him to no credit) is as specifically suited to populous places—towns, in which the poorer residents are never altogether to be depended upon for unpaid-up “liability,” and in which the population is often changing and shifting. The Bank has its money, and that is enough. The member, so long as he is not a borrower, may remove or abscond, or do as he pleases. If he asks for a loan, the Bank exacts security and deals with his case upon its distinctive merits. With the share capital, progressively reinforced by a growing reserve, the administrators, being in a manner skilled bankers, can operate so as to satisfy all wants.

Whatever be thought of the practicability of Loan Banks of the Raiffeisen type in this country, it will scarcely be contended that the Luzzatti system contains anything which could not readily be understood and applied in practice. The Raiffeisen system is really the simpler of the two, and the more self-supporting. But until we understand that its “unlimited liability” is in fact harmless—presenting, in M. Durand’s words, “not the merest shadow of danger”—I am afraid that a bogie fear of a principle which in its peculiar application we do not yet understand, which is, in Signor Wollemborg’s words, “very easy to practice, but very difficult to explain,” will militate against practical experiments. I hope that it may be otherwise. I hope that some public-spirited leaders in little rural communities will come forward and, even though it be at the risk of a loss which cannot in any case be great, endeavour to give to our peasantry an institution which, from the Pyrenees (Bagnères de Bigorre) to the Baltic, from Italy northwards to the Danish shore, has proved more effective than any other in bringing help to the rural poor. In any case this matter can be but a question of time. For wherever Banks of the Schulze-Delitzsch or the

Luzzatti type have been set up, there, with a regularity which seems to indicate a fixed law of nature, thus far everywhere Raiffeisen Banks have followed in their wake, as well in France—and, I believe, Russia—as in Germany and Italy.

In the Luzzatti system there can be nothing reasonably to frighten us, except it be the wholesale use of bills of exchange. The "cash credit"—a banking credit assured by security or sureties—we have already. The taking up of a small share to form a working capital we fully understand. Administration on a representative principle, and the ordinary routine of loaning, are both familiar to us. There is scarcely anything left even to explain; all seems so much a matter of course. If we really cannot bring ourselves at once to adopt the system of acceptances, which has worked smoothly and satisfactorily abroad, then there is no reason why we should not begin by raising and lending money simply by loan. The objection that the sums thus dealt with might prove inconveniently large could not apply in the first years, while the transactions must necessarily be circumscribed. However, the convenience of the system of lending on acceptances is so patent and so great, that it is scarcely conceivable that, provided we adopt the Luzzatti system at all, we should long be content to forego it. Apart from enabling the Bank to transact a large volume of business with a comparatively small working capital, simply by passing on its bills, should it want money, to larger banks for re-discount, at a profit to itself, the practice of lending on acceptances insures the further advantages of making every transaction complete in itself, with its own peculiar record, and at the same time of pressing home very effectively the urgent lesson that loans must be repaid promptly. In addition to this, the system simplifies book-keeping and all details of business. And the insignificance of the losses sustained sufficiently proves that, in their system of allotting credit, Italian People's Banks have hit upon a method which adequately secures them against default. Whether there be a special "committee of discount" or not, the representative councils of the Banks have everywhere managed correctly to gauge the paying powers of their

fellow-members. There is no reason why the same thing should not be done here.

In considering whether we are to make either of these foreign institutions our own, it deserves to be pointed out that we have nothing really of a similar kind established among ourselves on which the new apparatus might be advantageously grafted—unless it be the little “People’s Bank” of Edinburgh, a very useful institution, but still so much in its infancy, and so limited in its operations, that it could scarcely be easily transformed into a “People’s Bank” in our present sense. The Edinburgh “People’s Bank” exists for the purpose of enabling members, by the means of loans granted at reasonable rates and repayable by regular instalments spread out over from twelve to twenty years, to purchase gradually freehold homes—generally flats. It issues £1 shares, which may be paid up in full, or secured by a first instalment of five shillings a share. What with considerable deposits attracted—a most satisfactory sign of confidence secured—that small amount of capital raised has been thus far found sufficient for all purposes, and no resort has been had to the borrowing powers which the Bank has reserved to itself. But, since deposits pay only 3 per cent. interest and shares 5, it is to be apprehended that members will pay up shares rather than increase their deposits, and thus burden the bank with needlessly costly money. The Bank would no doubt be stronger if it accumulated a reserve fund. But its experience has thus far been generally satisfactory. Keeping down expenses, and lending with care and with judgment, it has, according to the last balance-sheet (1st July), on the strength of the capital subscribed, of £1937 in 1937 shares (of which amount £766 10s. is paid up) attracted £9744 of deposits, and granted £7274 in loans. A particularly satisfactory feature about this lending is, that, as the secretary writes me, “loans have been in request since the Bank commenced business for persons *that would not have approached the larger banks*, which generally are looked upon as aristocratic institutions.” To constitute itself a People’s Bank in the wider sense, this Bank would have to extend its scope materially, which it does

not appear disposed to do, and it would also have to submit to other changes, which may not be quite easy. The other popular lending institutions which we already possess—Loan Societies, Funding Clubs, Slate Clubs, and Self-Help Societies¹—are really to a far greater extent *Thrift Societies* than *Lending Societies*. Their main object is, to induce people to *save*, by means of a weekly payment of 3*d.* or 6*d.*, or whatever the figure may be. The funds so accumulated are made to bear interest by means of loans granted to members on the familiar system of repayment within forty weeks, 6*d.* per week on every pound, at the rate of 5 per cent. per forty weeks, which corresponds to 6½ per cent. per annum. The unloaned money appears generally to remain idle. I have found a Self-Help Society embarrassed with about £500 of such cash balances, a Loan Society with £900. It lies outside my present purpose to criticise these Societies, whose organization is not altogether perfect. It is sufficient to say that though, in the principle instilled, the best of them approach tolerably near to Raiffeisenism, based, as they are, on weekly savings *ad infinitum*, they could scarcely without material change be developed into real People's Banks subsisting for the purpose of the cheapest lending.

If, then, we are to have People's Banks at all, we shall probably have to make up our mind to start altogether afresh, building up a new institution by adopting as much of the foreign practice as is accordant with our habits. I have been asked by correspondents to lay down hard and fast rules suitable for all cases. Even if such rules were possible, they would certainly not be desirable. The freer play is allowed to the institution, the more fully may it be expected to adapt itself to our varying circumstances, the more likely is it to last, to spread, to work well. Our path will probably be found to lie across a variety of practical experiments. Some general line of advance, however, it will be possible to trace beforehand.

¹ I do not here include Trading Banks. They are in the fullest sense co-operative banks, and no doubt very useful institutions. But their banking is ordinary banking, and not in any way the semi-philanthropic lending which we now have in mind.

Which ever system we decide upon making our own, our great hindrance is likely to be found in the practical difficulty of making a first start. The rules are in all cases simple enough. But who is to set the new machine moving, enable it to raise the money which it wants, embolden it to grant the first loans? The latter point especially presents a serious hitch. At present everybody seems to be held a doubtful borrower. And unless some one can stand at the back of the new Bank in its first operations, and hold his shield of financial responsibility over it, it looks as if we should never come to real work. Now, here is an opportunity for the wealthier well-wishers of the movement to render a thankworthy service. They can, as it happens, do little else in the matter. On no point are credit co-operators more fully agreed than on this, that, to endure and to work well, People's Banks must spring from the very soil which they are designed to benefit. They must be of the poor people's own making, grow up from below, and create a large central institution for a link only when their own local needs call for such a measure, when the organization has grown so strong and so large that it requires a central organ. Rich people can help, of course. They can give their moral support. Some of them will be called upon to give it their services—regular, devoted, and *gratuitous* they should be. Wealthy folk can render very valuable service in diffusing information upon People's Banks, and bringing their system forcibly under the notice of those for whose benefit it is intended. Beyond that, there is a form of material help for which the new institutions can in their first existence look only to wealthy well-wishers, and which at their formation must be almost a *sine quâ non*. For the new Bank would not know where to go for its credit. Its own small share capital, contributed by driblets, would not supply very large funds. There would be savings to collect, no doubt. My impression is, that on that ground People's Banks have a wide field open to them in this country. Our Post Office Savings Banks are admirable in their way. But they allow a very small interest on deposits, and to the helpless, unskilled saver they represent a fabric of brick-and-mortar, with a slot

to receive pence, rather than a living and intelligent being with a mouth to explain and give counsel. That is where the better-class Trustee Savings Banks did—and to some extent still do—extremely useful work. The secretary and the “managers” were the poor saver’s own neighbours, men whom he knew to be of like make and passions with himself, and to whom he could come without fear or misgiving, telling them of his own or his friends’ little savings, and asking their advice. In most cases the People’s Banks could perform this service even more effectively. Their managers would be the poor man’s own choice, his neighbours, elected because they are familiar to him and can be trusted. The help of this sort rendered by the more educated and experienced People’s Bankers abroad to the less cultivated is known to have been very considerable. And, moreover, lending out their money at a higher rate than that paid by consols, People’s Banks can afford to allow depositors a better interest than the Government Savings Banks. However, savings would probably, at first at any rate, come in slowly. And then there is the ticklish question of risking them in loans—an even more questionable operation than risking share money.

It will, I think, be absolutely necessary, if we are to begin People’s Banking, to form local bodies of guarantors, to stand as intermediaries between the new institution and the larger Banks and, on the other hand, to shield the little nursing institution against losses occasioned by lending. As a permanent feature, such bodies would be a mistake. For patronage is as abhorrent to co-operative banking and as subversive of its true purpose as gifts. But if their temporary character were clearly marked, if it were fully understood that every effort must be made to get rid of them as soon as possible, and to emancipate the Bank from tutelage, no serious objection could lie against them. Once the new People’s Banks had gained a footing, larger Banks might be relied upon to lend to them as readily as they now do in Italy, in Germany, and in France—even if they did not, as some of them do there, accord them preferential terms. But at the outset no banker could be

expected to do so. In like manner, once the practice had been established, People's Banks might be expected to lend and recover loans with the same ease and regularity which marks People's Bank lending abroad. But at first the committee will naturally be nervous—and very wisely so. I would make the patron body as large as, in the small districts which it is to be presumed we shall at first adopt, it conveniently can be. And for this reason: its members must indeed be prepared to sacrifice their first stakes if necessary, but they should have it understood that that sacrifice will be made only in the last emergency; the Bank must do its full duty first, and under the Bank's urging so must the borrowers and their sureties. Indulgence would be detrimental; it might be ruinous. Now, a large body is not so easily talked over into indulgence as a single individual.

Since it is quite understood that what the Bank wants at first is not funds—which must mean expense in interest, and might mean serious temptation to misapplication—but the power of raising such, the guarantors' assistance would have to be given, not in cash, but in a *credit* opened at a bank. That credit would be limited, of course. And the guarantors might go further and limit from time to time the amount allowed for actual drawing. I would give the guarantors, so long as they exist, an *absolute* veto on all loans and outgoings for which they would incur responsibility. It will not be amiss to make their assistance just a little irksome, so as to provide an additional motive for getting rid of them. But, subject to the guarantors' veto and supervision, I would make the Banks as self-governed and as independent as possible; train the committee and council, while under patronage, to a full use of their powers; and, indeed, keep the patrons out of sight as much as possible. Probably some of the guarantors, at least, would join the committee or the council, and to their representatives on these bodies presumably the entire number would delegate a portion of their powers, allowing them a discretion in the sanction of loans.

On these lines there seems no reason why People's Banks should not be formed in this kingdom, tentatively at first, and

with due caution. A few experiments will show if, and to what extent, the institution is practicable among us. The money risked in the first instance could not in any case represent a large sum, and that would, we can make no doubt, be readily forthcoming. My own belief is, that the institution would flourish here as elsewhere, so long as it were taken up in a self-reliant but modest spirit, without any looking for immediate great results, but with a willingness to plod patiently on, with caution (more especially in respect of the first loans), with steady devotion, with a foregoing of tempting profits (such as fees, commissions, and high dividends), carried on solely for the purpose of attaining its beneficent aim:—that of helping those who cannot help themselves.

A brief special word seems due to the case of agriculture, because that industry stands in a position altogether peculiar to itself. Notwithstanding frequent assertions to the effect that farming with borrowed capital is not now practicable, I cannot help thinking—guided to some extent by the light of personal experience—that the *syndicat agricole* of Anjou is correct in laying it down that, where an insufficient capital applied to agriculture may earn but a poor 0 per cent., or less, an adequate capital may very well earn 5 or 6. Whatever have been the case formerly, under present, altered, circumstances—when the land, from a mine of accumulated fertility to be exploited, has become a mere workshop, in which skill and materials are called upon to manufacture a product—there can be no question that our farmers, generally speaking, work with far too little money. In practice they try to make up for the deficiency by drawing very liberally on the credit allowed them by dealers and traders—the dearest credit, as it happens, and the most improvident borrowing of all. Substitute cheap credit for dear, and the whole condition of things must naturally be changed. Farmers abroad have found this out. I will not now speak of the Raiffeisen and Wollemborg Banks, which dispense agricultural credit to a totally different constituency. But take a case very similar to our own, in France, at Poligny. The farmers there at first looked askance at the new credit opened to them

by the local syndicate. In the first year, 1885, they borrowed a beggarly 5000 francs. By 1892 the annual borrowing had increased to 212,000 francs. And it is growing still. Then there are special agricultural operations which very well warrant the borrowing of money. I could quote cases in point from various countries. I will content myself with citing one only, from that part of France which, in respect of soil, climate, scenery, and agriculture, is so remarkably like our own country that, were but the hedgerows a little better kept, amid the green fields and woods of the Nièvre I might often fancy myself in Sussex or Surrey. Farming is there carried on on large holdings, mainly by the fattening of a very good local breed of cattle. The department, as long ago as 1865 and 1867, sent annually about 40,000 fat bullocks to the Paris market, which were readily bought up by the butchers, as, indeed, they are still. The current practice was, to buy lean beasts in March, put them out to grass, sell them in August, and replace them by others to be similarly disposed of in October or November. That meant, at three periods of the year, a most troublesome interference with the business of the local banks. In March their tills were depleted almost to emptiness; in August there was a general scramble, paying and drawing; and in November gold poured in in embarrassing quantities. M. Giraud, when sent in 1865 to take charge of the branch establishment of the Bank of France at Nevers, was forcibly struck with the inconvenience and danger of all this. At the same time he found that, owing to a want of money in the hands of farmers, the rich pastures were understocked, and farmers failed to make all the profit which they might have made. Having secured the consent of his chief at Paris, and himself become a member of the Agricultural Society in order the better to push his proposal, he persuaded the farmers to come to him for money. With a good surety he would deal with the better-known men directly, loaning them money, at one renewal, for from six to eight months, at 1 per cent. above bank rate, plus a trifling commission; the less known he referred to their local banks, offering to take their paper at the rate of 6 per cent., plus a small commission.

The result has been that, within the ten years from 1867 that M. Giraud stood at the head of the Nevers Branch, he lent out to farmers between 130,000,000 and 140,000,000 francs, putting, at his estimate, about 25,000,000 francs into their pockets, earning for his own establishment the additional 1 per cent., and greatly relieving the local banks. And not once have drawers made default. M. Giraud has suffered one loss only, and that was due to landlord's distress, and might have been avoided with a little caution. Surely there are cases with which this of the Nièvre might be matched to be found in this country, more particularly while continued alternations of excessively wet and excessively dry seasons compel the farmer to repurchase in one year at a high price the stock which he was driven to sell for a song in the preceding season.

And agricultural credit may be organized so simply! Here are two instances from France. In the Jura, M. Bouvet has organized a system of agricultural credit. I do not recommend his particular method, but the result is unquestionably encouraging. Twenty thousand francs was raised in all, with another 20,000 in reserve as unpaid-up capital. That did not attract more than 35,000 francs of deposits, which is very little; but, by dint of passing on the bills to the Bank of France, in less than eight years 704,000 francs has been lent out, in progressing amounts, rising, as already observed, to 212,000 francs in 1892. And of all this money not a farthing has been lost. In the canton of Genlis, Count Lejéas assisted the local syndicate by placing in its hands 12,000 francs' worth of effects to be used as security. On that security, within eighteen months, 30,282 francs has been raised and lent out, and likewise not a penny lost.

The organization of agricultural credit, then, seems by no means a hopeless task. For a model, of course, we look first to the "Agricultural" Loan Banks of the Raiffeisen type. It has been suggested that landlords might join, to improve the security. Unlimited liability of this sort, put upon those who have already staked their property, seems rather a heavier burthen than would be quite fair. To allotment holders, indeed,

the Raiffeisen associations represent a most useful instrument for raising working funds. And in their interest it is sincerely to be hoped that Allotment Associations will take up this form of co-operation. But for large farmers—acting, if possible, in concert with landlords—the Luzzatti Banks, with their *cartelle agrarie* (bonds running for long terms), seem to provide the instrument needed. The shares would have to be nominally tolerably large; but in this case it will scarcely be absolutely necessary that they should all be fully paid-up; for the men of whom I am thinking would be tolerably safe to fulfil their engagements in respect of balances unpaid. There would have to be a temporary committee of guarantors as elsewhere, to make the paper negotiable at the outset. It will be wise, I should say indispensable, after the manner introduced by the Raiffeisen Banks, but now become pretty general, to inquire into the object of the loan, and watch its appropriation. In an agricultural co-operative bank there ought to be little difficulty about this. The method would insure the additional benefit of compelling farmers to look carefully into their operations, and ascertain, by close reckoning and accounts, on which of them they realize a profit.

There may, of course, be other methods open for the application of the same principle. The idea which has guided me in these suggestions has been, to make that which has proved of such signal benefit abroad by some means applicable to our circumstances. I have not liked to venture upon new ground, and within the limits of a magazine article I have not had space to enter into details. But the more I look into the matter, the more varied experiences gathered abroad I become acquainted with, and the more I see of the results obtained by our own little embryonic institutions of credit, the more am I convinced that in respect of popular credit a vast field lies open to us in this country, the cultivation of which must bring rich profits alike to the individual and to the community.

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